

# "THE CURRENCY CONFLICT."

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ADDRESS

OF

J. W. SCHUCKERS, ESQ.,

BEFORE THE

LIBERAL CLUB OF NEW YORK CITY,

*On Friday Evening, June 23d, 1876.*

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[The speaker began by saying that the *Evening Post* newspaper, in its issue of the afternoon—that is to say, of June 23d—had urged upon the public the necessity of keeping the paramount currency question in the front both of the Presidential and Congressional discussions, and in the correctness of this observation the speaker said he entirely concurred. He said that the magnitude and importance of the currency question were not sufficiently apprehended, and outside of one of the Western States—meaning especially Ohio—it had *not* been discussed at all, and certainly not in the Eastern press or States. In the East it was pretty generally assumed that there was but one side to it, and upon this most erroneous assumption the public sentiment sluggishly and credulously rested itself. It was time that some discussion should take place, and to it the speaker said he was glad to make contribution from the general standpoint of an Ohio Democrat. He then proceeded to say, that:]

Fifteen years ago the American people suddenly found themselves confronted by the inexorable necessity either of abandoning the war for the Union or of resorting to a system of inconvertible paper-notes upon which to wage it; and they had to choose between the inconvertible notes of the State banks or inconvertible notes issued by the federal government. They preferred the latter, although vindictively opposed in their election by the selfishness and cupidity of bankers and the general principles of the political economists.

Time has abundantly vindicated the wisdom of the choice then made. The use of the national credit as the foundation of the monetary system, enabled the government to carry the war to a triumphant conclusion, and to re-establish its authority

everywhere throughout its former borders; at the same time that it supplied to the people a sounder and more stable instrument of exchange than the country had ever before known.

Undoubtedly serious injustice resulted to many persons in consequence of excessive emissions, but such emissions and resulting injustice were inseparable from a state of war, and probably would have happened under any monetary system possible to have been maintained amidst the political disorder and uncertainty which characterized the rebellion period.

A hard money war was clearly impossible. To use a somewhat violent figure of speech, gold and silver are cowards and traitors; in the time of sorest peril and extremity, when most needed, they hid themselves out of sight or fled away into foreign countries. Our dependence, then, was necessarily upon a paper system; and it was this system that enabled us to preserve the integrity and permanency of the American Union. But no sooner was the war at an end than, to pursue the figure already begun, gold and silver, impudent and insolent as well as cowardly and treacherous, from their hiding-places at home or still abiding in foreign countries, set up a clamour for reinstatement in the monetary sovereignty of America, at the same instant that they assailed the friends of the paper system, who protested against the enormous injustice involved in this reinstatement, as either knaves or fools.

The people did not pay much attention to this clamour until after the panic of 1873. That tremendous disaster furnished to the enemies of the paper system, which I shall call the AMERICAN SYSTEM, a new ground of assault, of which, indeed, they were not slow to avail themselves. In defiance of all truth, in the very face and front of all history and experience, they charged that great calamity to be a natural and necessary consequence of the use of inconvertible paper money; and upon this charge they rung the changes with unremitting vehemence. They protested that nothing would restore soundness and prosperity to the commerce and industry of the country except a return to gold and silver as the basis of the currency. Office-holders and bondholders, capitalists and bankers, brokers and speculators, politicians and political economists; the whole unproductive classes, in a word, joined in the clamour, and it did not take long to involve in it almost the whole body of the Republican leaders, and very largely the leaders of the Democratic party also. But there were, and continue to be, many notable exceptions: and sooner or later, either the Republican or the Democratic party—probably the latter—will range itself squarely and bravely against the enormous and utterly indefensible injustice which resumption must inflict upon the productive classes; and sooner or later THE PEOPLE, taught by loss and suffering that “honesty is the best policy,” will raise that party into the control of the government. For a resumption of specie-payments, in the existing circumstances of America, is nothing less than a vast scheme of spoliation and confiscation; a contrivance for transferring, without equivalent, a large part of the property of the country from a less fortunate to a more fortunate class of citizens; a measure of flagrant wrong and outrage upon American industries; a cruel device for permanently deteriorating and debasing the condition and character of American artisans and labourers, both men and women. This is what resumption really means, however it may be veiled under high-sounding cant about the evils of an irredeemable paper currency, the obligations of public honour, the sacredness of public credit,

and the demands of a sound public policy. No one ever heard of a great public wrong, proposed or proceeding, which did not justify itself upon some speciously plausible pretext, and this business of resumption is no exception to a rule that is universal. Slavery itself—a system at war with every natural sentiment and instinct of justice—intrenched itself behind the most vehement appeals to Scripture and the organic law. I very earnestly hope that the Democratic party, so long and fatally wrong upon the slavery question, will retrieve its great error upon *that* by taking a right position upon the money question, not less important in all its bearings upon the happiness and prosperity of the people, than was the question of slavery.

It is painfully true that great losses and sufferings have been endured by the American people since the panic of 1873. But extensive and distressing as they have been, they are mere preludes to the indefinitely greater ones still impending if the work of resumption is persisted in to the end. All the moral and physical evils that attended upon the suppression of the rebellion must be repeated in the operation of establishing a specie standard in these United States. As many human lives must be sacrificed, as much physical suffering inflicted, and as much property destroyed, in the progress of the work of resumption as took place in the course of the suppression of the rebellion.

I am perfectly well aware that this sounds like extravagance; but it is not, as an attentive consideration of the stupendous work to be accomplished will abundantly show.

Now, it is not a hard matter to substitute a less valuable for a more valuable instrument of exchange. In other words, it is not especially difficult to substitute a depreciated paper-money for a full weighted and perfect money of gold and silver; on the contrary, experience shows, very conclusively, that the progress of such a substitution is usually marked by all the signs of an advancing prosperity. But to substitute a more valuable money for one of less value—as for example, a full weighted gold coinage for an inconvertible depreciated paper money—is a work of greater or less difficulty and hardship; and the degree of hardship and difficulty experienced in the progress of the substitution will depend upon the extent of the depreciation to be overcome.

There is but one possible way of measuring the extent to which the paper-money of a country is depreciated, and that is, by the cost of restoring it to a specie-valuation. By the words “restoration of a specie-valuation,” I do not mean merely a condition in which the paper-money of a country is at a nominal par of gold; but the establishment of an actual state of convertibility of the paper-notes into the standard gold coin. Mr. Webster laid down the true rule when he declared that no paper-notes could be made or kept equal in value to gold which were not actually convertible into gold on demand; and he proposed a very stringent rule for preserving their convertibility. A nominal par of the circulating paper-notes and gold at this time exists in France, but that the notes of the Bank of France are of less actual value than the standard gold coin of the Empire is proved by the fact that they continue to be inconvertible; although the Bank has four hundred millions of gold and silver with which to redeem less than five hundred millions of notes, were the Bank disposed to enter upon the work of redemption. But resuming specie payments is not so easy an operation as the average American financier is prone to allege. And

you will allow me to observe, that brilliant and conservative as the administration of the Bank of France admittedly is—extraordinary and unprecedented as its present position of strength is—that most powerful and opulent establishment still has before it the perilous work of effecting an actual resumption. To restore the convertibility of French Bank-notes into French coin is still the great business to be accomplished, and that such a restoration will tax all the splendid powers even of the most impregnable organization of credit on a grand scale in the world—as the New York *Tribune* once called the Bank of France—will be proved by the event.

Now, if the extent to which the paper-notes of a country are depreciated is to be measured only by the cost of restoring them to a par with the standard coin, by making them actually convertible into such coin on demand, how are we to ascertain the *cost* of their restoration? Well there is but one way of doing this also, and that is by ascertaining the extent of the *contraction* which must be effected before an actual condition of convertibility can be established; and I assume as a practical scientific fact, from which there is no possible escape, that the only way in which convertibility can be established is by *contraction*.

The contraction to be effected in this country, then, before a sound state of convertibility can be established, is not less than one-half, certainly, of the whole outstanding circulation of legal tender and national bank-notes; that is to say, the present paper circulation being about seven hundred and fifty millions of dollars, must be reduced to a total sum not exceeding three hundred and fifty millions. For it is important to observe, that to resume specie-payments involves not only an appreciation of the paper-money of the country to an actual gold value, but an extensive appreciation of the precious metals themselves. The nominal difference between gold and paper is 12 or 13 per cent., but the actual and potential difference is 40 or 50 per cent. This is a consideration of some subtlety, and is best illustrated by a reference to actual facts. When the act of parliament was passed in 1819 requiring the Bank of England to resume specie-payments within a period of four years, the premium on gold was only about five per cent., and the advocates of resumption—conspicuous among whom was the celebrated economist Ricardo—boldly declared that the whole business involved a matter of no greater importance than that of raising the value of bank-notes five per cent. Sad and even terrible experience realized, however, the enormous mistake that had been made; for in order to establish a state of convertibility, it was found necessary to appreciate the value of Bank of England notes 50 per cent., and the value of gold and silver not less than 45 per cent.! This tremendous enhancement in the value of money was shown by the fact that the universal prices of commodities in the British Islands and the wages of labour fell upon an average of 50 per cent. within a period of less than three years! The fall proved to be permanent also; and although it advantaged the fundholders and many bankers, capitalists and speculators, it had a frightful effect upon multitudes even of the rich, upon men of moderate fortunes, and upon the artisans and labourers of the kingdom; and indeed upon the whole productive classes, as I shall presently show you upon unimpeachable testimonies. We have lately had in our own country a curious illustration of this same error of confounding a nominal depreciation with a real one. The Congress of the United States, not long ago, legislated a fractional currency of silver, and wilfully debased it below its nominal value in the current paper money. It was

supposed that this debasement would keep the new coins in circulation, since no motive could be foreseen for taking them out. But greatly to the surprise and disappointment of the resumptionists, these degraded and dishonest coins disappear about as fast as the Mint can issue them, and Wall and Third Street brokers buy them at a premium! Here is a dilemma from which our Congressional financial philosophers will find some difficulty in extricating themselves; for their new silver, degraded as it is, will disappear as steadily as it is issued, even if they were to issue fifty millions a year! and, indeed, the more they issue the faster it will go! The reason is, simply, that the precious metals are far more extensively depreciated in this country than is indicated by the current premium on gold: the true depreciation being, probably, anywhere from 35 to 50 per cent.; from which it necessarily follows that every effort to keep them in circulation, until their real value is fully restored, will prove utterly fruitless. It is then a very mischievous and misleading fallacy to suppose that the current premium on gold marks the real extent to which our paper-money is depreciated. [I beg to say, by way of necessary explanation, that in using the word *depreciation*, I do not mean to imply that the money of the country is in discredit. There has been a steady depreciation since the discovery of the California and Australian mines in the value both of gold and silver, but they are not thereby discredited. What I wish to imply is, that the volume of our paper-money being larger than it would be if composed of gold and silver and convertible notes, is of less value than if more limited in quantity. I may add, moreover, that the fact of depreciation, *once established*, is not of itself necessarily an evil, if the difference between the paper and gold be due to the natural fluctuations which take place in the value of the metal, and not to changes in the volume of the paper which, for the time being, forms the instrument of exchange. In such a case, the fluctuations between paper and gold may be likened to the fluctuations between gold and silver in countries supporting a double standard; and that a double standard has great and preponderating advantages is a proposition approved both by reason and experience.]

There are three ways by which we can, with an almost absolute certainty, ascertain the extent of the contraction necessary to be effected before a convertible system can be established in this country. 1st. By ascertaining the total amount of convertible paper-notes sustainable in other commercial countries; 2d. By examples of contraction effected in other instances of inconvertibility overcome and convertibility, either real or nominal, reestablished; and 3d. By comparison of prices in our own and competing nations.

Now, by referring to facts, we find that the British Banks are not able to support a convertible note circulation of more than two hundred and fifty millions of dollars, or, substantially, fifty millions of pounds sterling; and even to preserve this relatively small sum in a condition of sound convertibility, the Parliament long ago found it necessary to impose upon the national and minor banks of the Empire, regulations of the most rigid and stringent kind. The Bank of France never supported a convertible circulation greater in amount than 280 millions, and had to suspend at the first shock of war: the present convertible circulation of the whole banks of the German Empire is 270 millions; and the greatest nominally convertible circulation known in our own monetary history was that of the State Banks just prior to the great explosion of 1857, when it was 215 millions. These examples

would seem to be conclusive that we cannot support in America a really convertible circulation of more than three hundred millions of dollars; for if France, with sixteen hundred millions of gold and silver among her people and in the vaults of her national bank; if England, with seven or eight hundred millions of the precious metal within her borders; if Germany, with a like amount at the command of her banks and people,—if neither of those great and opulent Empires can support a convertible circulation amounting to or exceeding 300 millions of dollars, what shall be said of the power of these United States to support 350 millions, the constant tendency of whose gold and silver is to take to themselves wings and fly away? In the second place, we may ascertain the sum of the contraction necessary to be effected by reference to the examples of history: We have had in these United States four general bank suspensions and three resumptions. The first suspension took place in 1814, when their aggregate note emissions were about fifty millions of dollars. The banks promptly seized the opportunity to expand, and by the end of 1816 they had managed to increase their circulation up to ninety-nine millions. A nominal resumption was effected in 1817 through artificial importations of silver by the Bank of the United States; but it could not last, of course, and upon the disappearance of the silver artificially introduced into the circulation of the country by the National Bank—which had taken place by the middle of the year 1818—the inevitable reaction set in, and the whole banks, National and State, set to work to save themselves by ruining the mercantile and industrial community, as they always do in such times; and by the end of 1819, had reduced the paper circulation from ninety-nine million in 1817 to forty-five millions at the latter date: a contraction of *fifty-four per cent.*! The misery inflicted upon the country by so tremendous a reduction in the circulating medium was widespread and universal, as the literature of the times most painfully witnesses. But banks forgive nothing, forget nothing, and learn nothing—and notwithstanding recent experience, in 1830, they began a new career of expansion. Their whole circulation at the close of that year was about sixty millions; they expanded it steadily, until, in May, 1837, it was 149 millions. The second universal collapse took place in that month and year, and involved all the local banks of the country, and also the Bank of the United States. No sooner was the explosion complete, however, than the richer of them were seized with the customary spasm of virtue and immediately began the work of “resuming.” The New York and New England institutions were restored to what was called a condition of soundness in 1838, but it was not until 1843 that a general resumption was effected throughout the country. Meantime, the note circulation had been reduced from 149 millions at the date of the collapse, to fifty-eight millions in 1843: a contraction of SIXTY-THREE per cent.! The interval between the time of the explosion and the general resumption was one of extreme and extensive distress; but time and the hour wore it out at last. In September and October, 1857, another collapse took place; the paper circulation being at the time 215 millions,—the largest circulation of paper-notes, professing to be convertible into coin on demand, known in the history of our country. Resumption was a third time the business of the banks: in a period of about four months they contracted their note issues down to 155 millions, or nearly THIRTY per cent.; and again the commercial and industrial classes sustained the loss and suffering inflicted upon them by bank cupidity and mismanagement. In 1861, a

fourth and final suspension took place; and how and by what measures the banks are to resume is the supreme question of the hour! But whatever may happen in the matter, *this* is certain: that the productive classes of the country must bear the expense, and that they will be called upon to pay it to the uttermost farthing! Of this, the country may be perfectly sure. You will see, then, that in three general resumptions in America the average contraction necessary to effect them was nearly *fifty* per cent. But our own country does not afford the only examples to which I wish to get your attention. The Bank of England and the minor banks of the Kingdom of Great Britain suspended in 1797, and remained in suspension till 1821—a period of substantially twenty-four years. In 1819 Parliament passed an act under which they were required to resume within a specified time. The whole note circulation of the Kingdom at the date of the passage of this act was 250 millions; at the date of the resumption—which was accomplished in 1821—it had been reduced to 129 millions: a contraction, substantially, of FIFTY per cent. I will show you presently what universal disasters attended upon so vast a reduction in the current money of the Empire. The last example is that of France. The Bank of France suspended specie-payments in 1870, at which time its note circulation was 280 millions of dollars. Gold and silver disappeared from the business of the country, and it proceeded wholly upon paper money made a legal-tender. The consequence of this was a large expansion of the note emissions; until, at one moment in 1873, they aggregated 614 millions. When the war with Germany and the Commune had come to an end, and the indemnity had been provided for, the Bank began to set its house in order preparatory to resumption of specie-payments, which it is under a legal obligation to accomplish by the first day of January 1878. It has at this time reduced its note emissions to less than 500 millions, a contraction of about twenty-one per cent.; but until the circulating notes are reduced to their natural limits—which I venture to fix at 300 millions—the Bank of France can no more resume specie-payments than can the National Banks of New York, notwithstanding the presence in her vaults of 400 millions of gold and silver coins and bullion. The contraction to be effected by the Bank of France is, then, FIFTY PER CENT. These several instances are somewhat curious in their results, for they seem to imply an almost fixed law of contraction preliminary to resumption. Finally, the prices of commodities in commercial countries are an element of high importance in determining the distribution among them of the precious metals; and if an “equalization of money” be, as is alleged by Professor Bowen in his *American Political Economy*, “an equalization of prices,” as doubtless it is, it is highly interesting to inquire how prices compare as between our own country, and, for example, Great Britain. The precious metals are the highest priced and the most valuable of all the articles of commerce; and it is a universal law, that they never leave a country except when they are the cheapest commodity that can be exported; that is to say, when it is more profitable to export them than the ordinary fabrics or products of the country. Thus, if an English merchant owe an American, he will pay his debt by the cheapest means. Suppose the debt to be one hundred dollars. If he can pay it by sending to America hardware which in the English market costs but 95 dollars he will certainly do so, unless he can send cotton goods which cost but 90 dollars. But if it would cost 101 dollars to send either cotton or hardware, he will send the gold.

Hence the law established half a century ago by Mr. Ricardo, that when prices are high in a country, gold and silver will flow out of it; if low, the opposite will happen and they will flow into it. Now, prices are higher in this country than in Great Britain because the current money is in excess; for, in practice, the circulating paper-notes of a commercial country are the primary agency which fixes prices in that country. This is the doctrine of Lord Overstone, the ablest and most philosophical of all English writers on the science of money, and that it is correct I do not doubt. What per cent. then are prices higher in America than in England? I have not time to go into details here: but the difference in the prices of the exportable fabrics and products of the two countries, measured in the money of the two countries respectively, is, so near as I am able to fix it, not less upon the average than *forty per cent.* If we add to this the costs of transportation to markets contiguous to the British Islands, the difference will be found to be nearly or quite fifty per cent. This is the difference to be overcome before we can stop the exportation of American gold and silver or attract hither the gold and silver of Europe. In other words, we must contract the currency of the country *fifty per cent.*, as an indispensable preliminary to resumption.

Now, there is no possible road to convertibility except by that of unremitting and relentless contraction. All the authorities agree to this; and the object of the contraction is to create scarcity of the current money; to create that intense and protracted scarcity which may justly be called a state of monetary famine; which shall be so unremittingly oppressive that men will be forced to part with their labour and property at steadily diminishing prices, no matter how earnestly they may struggle against the losses they are compelled to suffer in consequence. Recollect the powerful agency of money in all the complex affairs of our modern civilization—its influence upon the destinies of the Church, the State and the Family—and you will at once see how tremendously any tampering with its value must affect all the relations of our social organization. INFLATION is one way of tampering with it, but the worst possible form of interference is arbitrarily to raise its value. Contraction is the one potent method of doing this, and is always attended by a greater or less degree of loss and suffering, because its effect is to depress and destroy the value of all other commodities, whether labour, or the products of labour, or the soil itself. It disturbs and deranges every operation of industry and commerce, and produces all the signs and realities of misery and distress the American people are now suffering—of labour unemployed, of mills and workshops idle and deserted, of storehouses filled with fabrics for which purchasers cannot be found, of ships out of commission, of money accumulated in the hands of bankers, capitalists and speculators—the reason of all being that, in the midst of the constantly recurring failures and bankruptcies that always and inevitably follow in the wake of a diminishing volume of money, confidence is destroyed and the functions of credit paralyzed. Nor must it be supposed that the failures and bankruptcies that take place in these miserable times are necessarily the results either of business mismanagement or of fraud; for it would be a false and unfounded supposition; in most instances they are the natural, necessary and unavoidable consequences of a cruel and wicked public policy—the policy of contraction of the currency. It is from that same cruel and wicked policy of contraction that the whole productive classes of the country are suffering; it is the same cruel

and wicked policy of contraction that is eating up the vitals and destroying the commerce and prosperity of this great metropolis. Let me call your attention to a very striking fact. Since the work of resumption began, the currency has been contracted about thirty-five millions, and no important impression has yet been made upon the price of gold. But see the utter and universal prostration of all our industries! If so small a contraction has exerted such powerful effects upon the commerce and industries of the people, what will be—what *must* be—the consequences of the tremendous contraction of four hundred millions of dollars still inexorably necessary to be accomplished before a system of convertible notes can be finally established? In answer to this question, I repeat what I said at the beginning, that so enormous a diminution in the money of the country involves all the evils, moral and physical, that attended upon the work of suppressing the rebellion; as many human lives must be sacrificed, as much physical suffering inflicted, and as much property destroyed!

Now example is a far more potent teacher than any sum of reasoning, and I propose to supply an example. In 1797 the Bank of England, as a consequence of certain alarms of war, suspended specie-payments, and was followed in this by all the minor banks of the kingdom, and remained in suspension until May, 1821. Immediately upon the close of the French wars agitation began for a resumption of specie-payments. In 1819, Parliament passed an act requiring the Bank of England to pay its notes on demand in standard gold coin after a period of four years: that is to say, after May, 1823. Against the oppressive and destructive policy of this enactment, the officers of the Bank, the merchants of London and other cities, and large numbers of manufactures throughout the kingdom, most earnestly protested. They said it must inevitably result in extensive disasters to all the industrial and commercial interests of the state; and they foretold, clearly and distinctly, all the great evils that subsequently marked its operation, the very counterparts of which are afflicting the American people in every county in the republic at this day! But the bondholders, the office-holders, the speculators and the political economists, were too strong for the productive classes, and the resumption was decreed. The act was passed by a unanimous House of Commons, and an almost equally unanimous House of Lords; in the former amidst great tumult and excitement, and the glory and triumph of the resumptionists were boundless. At the time of the passage of the act, the premium on coin was but five per cent.; and the resumptionists declared that the whole business of restoring the convertibility of bank-notes consisted in raising their value but *five* per cent., and they poured unsparing ridicule upon all who doubted the infallibility of their judgment.

But what were the actual consequences of the act? Let us take the testimony of witnesses of admitted competency: "The apparent prosperity of the country," wrote Robert Mushet (said by General Garfield in a speech delivered in the House of Representatives in 1868, to be one of the ablest of English writers on finances, as he was), "seemed to vanish with the first measures of the Bank of England to effect resumption" (*Bank of England Issues*, by R. Mushet, p. 37); and he proceeds to show how a contraction of fifty per cent. took place before the work was done, and how enormously it affected all the manufacturing and commercial interests of the kingdom. "The effects of this extraordinary piece of legislation," says Sir Archi-

bald Alison, "were soon apparent. The industry of the nation was speedily congealed as a flowing stream is by the severity of an Arctic winter. . . . The effects of contraction were soon apparent and rendered the next three years a period of ceaseless distress and suffering in the British Islands." (Alison's *History of Europe*, 2d series, vol. ii, chap. 2). Said Lord Landsdowne (as quoted by Sir A. Alison), "Wages fell in all the great stations of the cotton manufacture one half in a period of six months" after the resumption act was passed; and before resumption was effected, says Sir Archibald Alison (*History of Europe*, 2d series, vol. ii, chap. 2), "the fall had extended to wages in all the operations of agriculture and manufacture." Great numbers of artisans and labourers were thrust out of employment; and the suffering they endured finally brought them almost to the madness of open rebellion. The prices of all commodities, said Mathias Attwood, in a speech in the House of Commons in 1822, alike of agriculture and manufacture, were broken down upon an average fifty per cent.; and factories and lands stood idle and untilled. Mr. Alexander Baring (speech in the House of Commons, Dec., 1819), said that the suffering extended to all classes, and that the condition of Great Britain in the sixth year of the peace was unparalleled in the history of any nation or time. Lord Brougham (speech on the corn laws, made in the House of Lords, February 19, 1839), said that the restoration of the currency was almost as bad as the depreciation; and that although he had supported the resumption bill, he had always deeply regretted having done so. "The bitter fruits of the act," says Sir James Graham (in his celebrated pamphlet on *Corn and Currency*, page 49), "were tasted by all classes, save that in the midst of the ruin inflicted upon farmers and manufacturers, and the insurrections of a populace without bread and without employment, the fundholders and tax-eaters profitted." They profitted, he said, by what the producers lost. The distress, ruin, and bankruptcy that took place, says Mr. Doubleday (*Financial History of England*, p. 271), by reason of the relentless narrowing of the currency, were universal and extended to all the operations of land and trade. That the resumption act put a burden upon industry, says J. R. McCulloch (*Commercial Dictionary*, article *Banks and Banking*), and in so far as was hostile to the public interests it is impossible to doubt. Lord Overstone (*Tracts on Metallic and Paper Currency*, p. 133) says that the restoration of the currency in 1819-20 produced extensive private suffering, derangement of property, disturbance in the operations of trade, and injustice to extensive classes of people. Jean Baptiste Say, the eminent French economist, after reviewing the period of the suspension and the consequences of resumption (*Practical Political Economy*, ed. of 1828, printed at Paris, p. 61), sums up by saying that "the privileged classes, the public functionaries, the pensioners of the State, and the fundholders, profitted by the enhancement in the value of money;" but adds that "IT LAID A BURDEN UPON THE MASSES OF THE PEOPLE AND UPON INDUSTRY; A BURDEN THAT SO RICH AND INDUSTRIOUS A NATION, and so admirably administered in other respects, COULD ALONE SUPPORT." Dr. Thomas Chalmers (*Political Economy*, p. 209) writing in 1832, took great pains to show that the condition of the British labouring classes was seriously worse than it had been up to the year 1814: it was about that time, he said, that their progress was first arrested and then turned backward; and the Hon. George C. Brodrick (*Cobden Club Essays*, 1875), speaking of the deterioration in the state of the English yeomanry, says that, "By the reign of William the IV (who

succeeded to the throne in 1830) the descendants of freeholders who once sat as judges and legislators in the courts of their own county hundred and township, had sunk into day labourers, *but one degree removed from serfdom*, dependent on individual landlords for the humblest dwelling, and on landlords assembled at Quarter or Petty Sessions, for the security of every civil right." And let me here observe, that it was not until 1830 that the monetary system was finally and permanently settled upon a gold foundation. The operation of the resumption act upon the people, it is thus seen, was one of unmitigated evil; and led to great popular agitation, riots, murders, conspiracy, tumult, and threatened and even attempted insurrection in various parts of the kingdom: so extensive and portentous, indeed, that the Government was compelled to resort to the most extraordinary measures of repression. The local military organizations were largely augmented, until they numbered, in addition to some regular troops, 35,000 men; and it was this exhibition of resolute preparation, organized especially in the manufacturing districts, says Sir Archibald Alison (*History of Europe*, 2d Series, Ch. x.), and the decisive demonstration it afforded of moral and physical strength on the part of the government, that saved Great Britain from an alarming conclusion. The political economists were promptly on hand with their petty and most preposterous explanation of the source of the misery and agitation: it was *over-production*! an explanation rightly denounced by Mr. Alexander Baring as pure *trash*. Yes: *over-production* made the years 1819-'20-'21 the most anxious and distressful in modern British history. You can consult the literature of the times for the facts. Thomas May Erskine, in his "*Constitutional History of England*," says the year 1819 was one of peril. Harriet Martineau, in her "*History of the Peace*," describes the 'distracted condition of the country with graphic power. Sir Archibald Alison is ornate and eloquent in his descriptions of the state of the nation. "The government alarmists of that period," says Charles Knight, in his "*History of England*," "were in a condition of almost helpless terror. Lord Eldon described the people of the country as divisible into two classes—the one insane, who manifested their insanity in perfect apathy, eating and drinking as if there was no danger of political death, yea, even to-morrow; contrasted with the other class, who halloed on an infuriated multitude to acts of desperation. 'The country,' said the Chancellor, 'must make new laws to meet this state of things, or we must make a shocking choice between military government and anarchy.'" An extra session of Parliament was called in November, 1819, and it made the *new laws* necessary, in the judgment of the ministry, to curb and quell the lawlessness and insurrectionary spirit of a whole people, afflicted with the most extraordinary and unprecedented of all complaints—*over-production*!—who had so much to eat, to drink, and to wear, that they were upon the verge of open rebellion against the constitutional authorities!—from sheer excess of the fatness of the land, the people of the British Island threatened to destroy their government! surely an unparalleled thing in the history of nations! Shakespeare says Hamlet was sent into England because all the English being reputed to be insane, an insane Prince was not likely to be an object of special notice among them; and incontestably a nation *must* be insane that grows rebellious because of the presence of too much wheat and corn, beef and bacon, butter and cheese, beer and gin, cotton and wool! Well, to meet this most remarkable and abnormal state of affairs, the Parliament made the necessary *new laws*; they were

known as "the Six Acts," and were denounced by the larger part of the people as wickedly oppressive and unconstitutional. Lord Campbell said of them that they were the last violation of the constitution of the kingdom. The Six Acts conferred new and extreme powers upon the Government; they authorized arbitrary arrests and unusual punishments, the suppression of public meetings, the search of private houses and seizures of private papers, and the fettering of the public press! "The old spirit of liberty appears to have departed," says Charles Knight, commenting upon these statutes. And all this insubordination and insurrectionary spirit on the part of the people, and exhibition of military power and civil repression on the part of the authorities, were in consequence of *over-production!* of too much to eat, to drink and to wear! of granaries too full of corn, of store-houses filled to repletion with fabrics, of industry too active, of commerce too gainful. It was a portentous time, indeed; the harvest season of demagogues and of "reformers," though there seems to be no authenticated instance in which, under guise of "reform," a policeman was made a peer, or a thief-taker a prime minister, or where so vile a thing was even proposed. The doctrine of over-production was of course the invention of the political economists, and was not warranted either by facts or common sense, any more than it is now warranted in explanation of the distress prevailing in these United States. It was a very convenient phrase, however, and extremely satisfactory to the office holders, bondholders, speculators, and the political economists themselves.

Now, what did the English people GAIN by way of compensation for the losses and suffering of the resumption period? Freedom from any of the monetary evils they had suffered during the period of suspension? No: not one. Did they escape fluctuations in prices? No. For experience proved, and Lord Overstone, the sternest and most implacable of bullionists—the head and front of the currency school of British economists—admitted, when directly questioned upon the point, that he could detect no difference between the fluctuations which took place during the suspension and the fluctuations which took place after resumption had been accomplished! (*Tracts on Metallic and Paper Currency*, p. 437.) Did they escape speculation and over-trading? No. For experience proved, and Lord Overstone frankly admitted, that under the most restrictive system of convertible notes possible to be established, commercial speculation had been pushed to the most extravagant lengths! (*Ibid.*, page 264.) Did they escape panics? No. For experience proved, and Lord Overstone and Mr. Tooke both admitted, what indeed they could not truthfully deny, that the commercial convulsions under the convertible system were as great if not even greater than under the inconvertible system! Lord Overstone (*Ibid.*, p. 132) said that storms and tempests are not more certain and inevitable in the material world than are the periodical convulsions of commercial affairs, and both answer, he moreover declared, similarly useful purposes! Mr. Tooke, after a very careful review (*History of Prices*, Vol. I, p. 149) said decidedly, that susceptibility to a great expansion of credit and consequent liability to collapse are NOT peculiar to an inconvertible state of the currency; that, in point of fact, experience both in Great Britain and in Continental Europe shows that a great abuse of credit has NOT been peculiar to an inconvertible currency; and he declared, moreover, (*Introduction to Considerations on the State of the Currency*) that commercial convul-

sions, under the convertible system, had been (I use his exact words) "MORE STRIKING AND DESTRUCTIVE" than under an inconvertible system! These are the deliberate admissions of the two most eminent of the English authorities upon money—the leaders, respectively, of the "currency" and "banking" schools of economists—upon this great and vital subject. What, then, did the English people gain by way of result and compensation for the enormous losses and suffering endured by them during the transition period from an inconvertible to a convertible currency? I will answer in the words of Jean Baptiste Say: "The privileged classes, the public functionaries, the pensioners of the state, and the fundholders profitted by the great enhancement in the value of money; BUT IT LAID A BURDEN UPON THE MASSES OF THE PEOPLE AND UPON INDUSTRY: a burden that so rich and industrious a nation could alone support." Yes: British labour and the British industries achieved a burden, and the political economists achieved the triumph of a general principle! but at an expense of loss and misery that excites the indignation and pity of every generous and right-minded man.

The lesson of English resumption is one of instruction and warning; one that the whole American people should take thoroughly into their hearts. For the vital truth remains, however loudly sentimentalists and bank-managers, moneyed-capitalists and public creditors, office-holders and political economists, may declaim of "honest money," that in practice resumption is a vast scheme of spoliation and confiscation; a flagrant wrong and outrage upon American industry; a cruel and wicked device for permanently deteriorating and debasing the character and condition of American artisans and labourers, both men and women. In the language of John Locke, "It is the interest of every country that the standard of its money, ONCE SETTLED, SHALL BE INVIOLABLY AND IMMUTABLY KEPT TO PERPETUITY. FOR WHENEVER IT IS ALTERED, UPON ANY PRETENCE SOEVER, THE PUBLIC WILL LOSE BY IT." The true honesty of the time and the circumstances is, therefore, that the value of the current money shall be honestly and faithfully preserved, and neither raised nor lowered by arbitrary measures of the legislature; that the public impositions shall be levied with an equal pressure and honestly administered; that the interest-bearing public debt be *first* paid, and with all convenient expedition; that the poor shall be protected in their labour and the rich in their property; and that special and dishonest benefits be conferred upon none, neither upon banks, nor bond-holders, nor office-holders. These are the special obligations of public honour, of public justice and of sound public policy. If it be criminal, as undoubtedly it would be, to inflate the currency with a view to defraud creditors, it is equally or more criminal to contract it in fraud and oppression of debtors and the universal interests of labour. The existing monetary system is as sound and safe as exists in any country in the world; it is capable of absolute demonstration that since 1866 prices have been as uniform and steady in America as in Great Britain, though sustained at a higher level. If any one expects better protection for either labour or property under a convertible system than he has under the existing system, he expects what never in the world will be realized. I wish to see that system so strengthened and perfected that it shall become the permanent system of the country, for under it the rights of property and the rewards of labour may be alike protected and secured; and no system can effect more, and these are or ought to be the objects of every system in every country. And sooner

or later this is the solid ground upon which the labour and capital of the country, long and fruitlessly oppressed by legislative ignorance and sinister public policy, must unite for a common protection and safety. The American system will prove their final defence against the gold fanatics and idolators on the one hand, and the inflation fanatics and communists on the other: the common and equal enemies of morals, of order, of property and of industry.

In conclusion, I beg to say that I am neither inflationist nor repudiator. I protest that I am no enemy of the public creditors, of the public honour, of the public justice, or of a sound public policy. The public creditors should be paid to the uttermost farthing. The public honor is a glorious part of the public estate, but I fail to see that its support or preservation depends upon a particular form of paper-money. The public justice is the fountain of that perfect equity among the people which is, in its administration, the noblest of the public functions. Its most memorable and illustrious exhibition in America took place under an inconvertible system of paper notes, and was the emancipation of four millions of slaves; an act upon which God Himself must have looked with favor, which won for the Federal arms the good-will and respect of all Christian men, and which would have been physically and politically impossible had the national authorities, during the late war for the Union, been restricted to the use of convertible paper-money. And in all I say or do on this great subject, I am moved by a sincere desire to promote the universal public good as I see and understand it.

[The speaker was interrupted by applause at various parts of his address; and some discussion which took place at its close, showed that a considerable part of the audience sympathized with the views he had expressed; and that what is needed in New York, as elsewhere, is—DISCUSSION.]

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